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NATIONAL INTELLIGENCE DAILY CABLE

Saturday August 20, 1977

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National Intelligence Daily Cable for Saturday, August 20, 1977

The NID Cable is for the purpose of informing senior US officials.

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SRI LANKA: Violence Flares

25X1 [] *The recently installed government of Prime Minister Jayewardene in Sri Lanka is facing its first crisis. Violence erupted last Sunday in Jaffna, the largest and most important city of Sri Lanka's Tamil minority and has rapidly spread to other parts of the island. The government is attempting to restore order before events and rumors further inflame relations between the Hindu Tamils and the majority Buddhist Sinhalese.*

25X1 [] The initial clash in Jaffna apparently broke out between off-duty policemen--mostly ethnic Sinhalese--and Tamil citizens and rapidly escalated into widespread attacks on the police. By Thursday, incidents were reported in many of the districts in north-central and central Sri Lanka. Yesterday, violence also flared in the important city of Kandy. Rioting has also been reported in the town of Panadura, 30 kilometers south of Colombo. Police and army troops are patrolling the capital itself. At least 20 persons have died so far.

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[] Most of the recent violence apparently involves attacks on individual Tamils and their property in Sinhalese areas. Some Tamil refugees reportedly have fled northward into the Jaffna area.

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[] Prime Minister Jayewardene has informed parliament that he will appoint an impartial commission of inquiry and has appealed to members of parliament not to issue statements that would further inflame communal feelings. Thus far, he has received the cooperation of the deputies representing the Tamils. Both the government and the Tamil leaders are obviously seeking to avoid repetition of the widespread and prolonged communal violence that plagued Sri Lanka in the late 1950s and again in 1966.

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[] Much of the rioting could be--as the government charges--the work of criminals taking advantage of an opportunity rather than the result of communal tensions.

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[] Tamil separatist sentiment, however, is growing, and the present Tamil deputies won their seats in the national election last month on the promise to work for a separate Tamil state. The Tamils, who originally emigrated from India, make up approximately 21 percent of the island's population of 14 million.

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[] Jayewardene, on assuming office, promised to attempt to alleviate Tamil discontent; Tamil leaders, in general, appeared receptive to his initiative. The present clashes, even if promptly brought under control, will make efforts to reconcile differences between the communities far more difficult and will give youthful militants within the Tamil community added ammunition in their drive to secure popular backing for early creation of a fully independent Tamil state. []

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PLO: Statement on Resolution 242

The Palestine Liberation Organization Executive Committee late Thursday announced that its position toward UN Security Council Resolution 242 remains the same as expressed by the Palestine National Council in March. At that time, the Council rejected the resolution, and any "dealings" based on it, because it ignored the "Palestinian people and their firm rights." This may not be the final position of the PLO, which plans further discussions next week.

The statement of the Executive Committee, as announced by its official spokesman, criticized Secretary Vance's recent round of talks in the Middle East for "disregarding" Palestinian rights. It also condemned the Israeli decision to establish further settlements in the West Bank area.

PLO officials have been pressed by some moderate Arab leaders to help break the diplomatic logjam in the Middle East by taking a firm public step toward moderation such as acceptance of Resolution 242, even in a qualified manner. The PLO leaders, however, apparently are divided over this issue and fear they would get nothing in return for such a significant policy shift. Recent moves by the Israelis to enhance their control over the West Bank, moreover, probably have exacerbated these fears and contributed to Palestinian hesitancy to compromise.

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[] The PLO Central Council, theoretically but not actually a more powerful body than the Executive Committee, is scheduled to meet in Damascus next week. The PLO's stand toward Resolution 242 probably will be discussed again at that meeting. []

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YUGOSLAVIA-USSR: Communique

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[] *The Soviet-Yugoslav communique issued after President Tito's talks this week in Moscow with President Brezhnev emphasized common positions in international affairs and put the best face on the bilateral relationship. There is evidence, however, that serious differences continue.*

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[] Phraseology of the text on African trouble spots included an implicit rebuke for Somalia's actions against Ethiopia. There was a restatement of support for the Palestinian cause and denunciations of Israeli intransigence in the Middle East. On detente issues, the communique called for balanced fulfillment of all aspects of the Helsinki accord and for the "immediate cessation" of the arms race and a ban on the development of weapons of mass annihilation.

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[] The communique also stressed that it is essential to "stop perfecting" existing nuclear weapons, probably a reference to the US neutron bomb. It endorsed both the Yugoslav plan for a UN special session on disarmament and the Soviet-proposed world disarmament conference.

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[] In separate paragraphs, the communique praised both the communist countries' and the nonaligned movement's contributions to the pursuit of peace. This formulation undoubtedly evolved from Tito's insistence that Moscow not try to coopt the nonaligned movement as an extension of Soviet foreign policy. The Yugoslavs managed to wrest an effusive endorsement from the Soviets of the "new economic order" being promoted by the nonaligned, but without any promises of specific Soviet aid.

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[] Interparty relations in the communist movement were only briefly addressed in the last substantive paragraph. The two sides merely noted that they had "exchanged views" on the

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issues--a sure sign of major disagreement. By contrast, the communique from Brezhnev's visit to Belgrade last November contained four paragraphs of verbiage on interparty cooperation.

25X1 [] Moscow demonstrated its reserved stance toward Tito's independent policies by juxtaposing effusive media coverage of Brezhnev's meeting with Portugal's party leader Cunhal with a brief mention of the Tito-Brezhnev talks on interparty relations.

25X1 [] The communique contained several favorable assessments of bilateral relations and pledges to continue on good relations but there were few specifics. Regarding economic cooperation, new or long-term cooperation initiatives were deferred to later talks at the expert level. The communique gave no indication whether Brezhnev again raised Soviet desires for increased naval access to Yugoslav repair facilities. []

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USSR: Promoting Sakharov's Emigration

25X1 [] *The USSR's recent decision to grant exit visas to members of Andrei Sakharov's immediate family raises the possibility that the Soviets may try to encourage this leading dissident spokesman to emigrate this fall. Sakharov's departure would resolve a longstanding domestic dilemma for the Soviets and could be timed to influence the fall session of the Helsinki review conference.*

25X1 [] Sakharov's stepdaughter, her husband, and two children reportedly are planning to leave the USSR early next month, and Sakharov's wife is soon slated to travel to Italy for eye surgery. This opens the option for the Soviets to block Mrs. Sakharov's return to the USSR, and then let Sakharov reunite with his family in a gesture of generosity in compliance with the Helsinki accords.

25X1 [] The Soviets probably would have expelled Sakharov long ago were it not for, among other reasons, their concern over his knowledge of the Soviet nuclear program. Sakharov's gradual slide into dissidence during the early 1960s resulted in his being slowly cut off from classified work, and he was formally stripped of his security clearance in 1968.

25X1 [] The Soviets could easily declare that in Sakharov's case any requisite period of non-access to secret information prior to emigration had now been fulfilled. In the past, Sakharov's devotion to dissident causes and to his family has kept him from seeking to leave the USSR, but there are rumors that he has lately been discouraged, tired, and ready to leave.

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USSR: Secretary Vance's China Trip

25X1 [] *The USSR seems to doubt that Secretary Vance's trip to China will result in any marked improvement in US-Chinese relations.*

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25X1 [] Soviet radio commentary earlier this week stressed the political, strategic, and economic importance of Taiwan to the US and warned that any normalization of relations between Peking and Washington at this time would be on US terms and at the expense of China's national interests. In their commentaries, the Soviets have been careful not to overplay or prejudge the significance normalization of US-Chinese relations would have for US-Soviet and Soviet-Chinese relations. []

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UK: Labor Wins in Birmingham

25X1 [] *//The Labor Party victory in the by-election in Birmingham on Thursday will encourage Prime Minister Callaghan to stick with his political strategy of playing for time in the hope that a future economic upturn will boost his party's chances in the next general election.//*

25X1 [] *//The victory of Labor candidate John Sever was a welcome relief for the government party, which had not done well in recent by-elections. Sever took 53 percent of the vote and defeated his Conservative rival by almost two to one. In two other by-elections last spring, the vote swing from Labor to Conservative averaged about 20 percent. That swing was cut to 9 percent in the latest by-election.//*

25X1 [REDACTED] //Sever held the votes of many white workers despite recent racially oriented disturbances in the constituency. Labor also kept the support of immigrants from non-white Commonwealth countries, even though a left-wing group ran a Pakistani immigrant as its candidate. Sever's campaign may also have benefited by some relatively good economic news: a rising pound, swelling reserves, cuts in interest rates, income tax and gasoline prices, and a decrease in the rate of inflation that had not been expected until next month.//

25X1 [REDACTED] //The National Front, an extreme right-wing group, made a surprisingly strong showing. The Front candidate received more than twice as many votes in that district as it did in the February 1974 general election, edging out the Liberals for third place. The National Front advocates the mass repatriation of West Indian and Asian immigrants who comprise 40 percent of the constituency's population.//

25X1 [REDACTED] //The Liberals' poor showing almost certainly will stimulate renewed debate at the party's conference this fall whether to continue the party's pact with the Labor government.

25X1 [REDACTED]

VENEZUELA: Oil Talks Stalled

25X1 [REDACTED] *Delays by Venezuelan officials in settling outstanding issues resulting from the nationalization of the foreign-operated oil industry in 1976 will prevent any agreement before the start of the presidential election campaign next January.*

25X1 [REDACTED] Although officials have offered various explanations for the delays, the main obstacle appears to be the government's preoccupation with the approaching general election and its concern that any significant action could benefit the opposition. Consequently, the government appears to be in no haste to conclude politically sensitive agreements that eventually must be submitted to the congress for debate and approval.

25X1 [REDACTED] The major presidential candidates have not spelled out their oil policy in any detail. Preliminary statements by Luis Pinerua Ordaz, the nominee of the governing Democratic

Action Party, have been unsettling. Pinerua recently referred to the Perez administration's nationalization of the petroleum and iron industries by saying that he would emphasize the "Venezuelization" of industries--a thinly veiled slap at the government's continued reliance on multinational firms for petroleum technology and sales.

25X1 [] Luis Herrera Campins, the candidate of the opposition Social Christian Party, appears to take a more pragmatic approach. While praising the nationalization of the two major extractive industries, he would assign to private enterprise responsibility for developing industries derived from oil and iron ore and give them "the widest possibility of action."

25X1 [] None of the major oil firms appear to be planning to withdraw from the country, but the increasing frustrations they face in dealing with the Venezuelan bureaucracy, particularly in a pre-election period, will have a negative impact on negotiations between the government and the oil companies in the coming months. []

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Mozambique-USSR

[REDACTED] The Mozambique government has ordered the Soviet Aeroflot office in Maputo to cease operations after discovering that it has engaged in extensive illegal currency transactions in the sale of its tickets. According to a source of the US embassy in Maputo, Aeroflot has defrauded the Mozambique government of approximately \$3 million in hard currency since it began operations in July 1976. The government will allow the weekly Maputo-to-Moscow Aeroflot flights to continue, but ticket sales will be taken over by the state-run National Tourist Agency. The Mozambique government is not likely, however, to let the fraud disturb its government-to-government relations with the USSR, which is its major source of military and technical assistance.

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